

Testimony of Congressman Patrick J. Tiberi
June 4, 2003

Subcommittee Hearing entitled "Fair Credit Reporting Act: How it
Functions for Consumers and the Economy"

Chairman Bachus thank you for holding this hearing and for your hard work and dedication to this process. I look forward to hearing from our distinguished panel today on this important issue.

American consumers are the lifeblood of our national economy. In fact, consumer spending is by far the largest single component of the U.S. economy fueled in large part by the availability of consumer credit. Credit is the lynchpin of our economy. The more than \$7 trillion dollars of consumer credit in our economy finances homes, cars, educations and the credit cards that consumers use to purchase literally tens of millions of goods and services every year. Obviously credit is absolutely necessary in our economy for large purchases such as homes, cars and college educations. Credit is fundamental to our highly mobile society and is necessary for long distance transactions such as the purchase of goods and services through the telephone, mail and the Internet. Without doubt, our nation's credit granting system is the envy of the world.

This powerful economic engine is supported by the most highly developed, efficient and reliable credit reporting system ever known in the world. Our national credit reporting system helps make the United States a world economic power. The availability of accurate and reliable consumer credit information at the lowest possible cost is vital to the U.S. economy.

It allows businesses in one location to safely do business with consumers located throughout the country. It makes our economy vastly more efficient. It lowers the cost of credit to individual consumers and is instrumental in making credit widely available, particularly for low- and moderate-income Americans who have historically not had access to traditional sources of credit. And, it permits bankers to make sound credit granting decisions everyday assuring that a safe and sound banking system stands behind our national economy day-in and day-out.

The reliability of this credit reporting system is achieved by the uniform national framework of the Fair Credit Reporting Act (FCRA). Thanks to the FCRA and the credit reporting system it has shaped, U. S. consumers have access to more credit, from a greater variety of sources, more quickly and at lower cost than consumers anywhere else in the world.

This year the Congress can act to ensure this important national economic asset is maintained. At the end of this year, provisions of the FCRA that establish uniform national standards for the credit reporting industry expire. If this happens, it will harm the nationwide US credit reporting system, significantly affecting adversely the national economy by disrupting the flow of credit and adding substantial costs to all consumers especially those in the middle, low and moderate income groups.

I have introduced legislation, along with Congressman Ken Lucas, that establishes uniform national standards that protect the privacy of personal financial information, facilitate the use of information in consumer reports for extending credit, and other misuse of consumer information. H.R. 1766, the National Uniform Privacy Standards Act would assure that the standards of the Fair Credit Reporting Act and the Gramm Leach Bliley Act protect consumers in the same manner in every state, but does not make substantive changes to either law.

The premise of this legislation is very simple: if ain't broke, don't fix it. H.R. 1766 would make permanent the standards that provide for unprecedented consumer access to credit, reduced costs of credit and more accurate decision-making of credit grantors and other commercial users of credit report data nationwide.

If we turn back the pages and allow our credit reporting system to be regulated on a state-by-state basis the cornerstone of our economy our national consumer credit granting system will become balkanized. As a nation, we will lose the efficient flow of credit information, consumers will face increases in the costs of credit and marginal consumers, in particular, will be challenged with a reduction in the availability of credit altogether.

If we fail to act we will impose unnecessary uncertainty and risk into our nation's credit markets. This is not a time we can afford to gamble with the foundations of our consumer economy.

Importantly, the introduction of inconsistent credit reporting requirements imposed by state law will significantly reduce the quality of information available to credit grantors and deteriorate the safety and soundness of our nation's banking system. The soundness of our national banking system depends in large part on the availability of accurate consumer credit information. If we revert to a balkanized credit reporting system, the information that bankers rely on to make sound credit granting decisions will be less uniform and less reliable. With less reliable information available to them, creditors will be less able to discern good credits from bad. As a result, consumers will pay more for access to the credit they need and the nation's economic growth and efficiency will be injured.

The national standards established by the FCRA assure the availability of consumer credit on reasonable terms irrespective of where a consumer lives, with whom a consumer chooses to do business or the location of a creditor to whom a consumer chooses to apply for a loan.

Let's keep our consumer credit granting system the envy of the world.